

ORIGINALDecision No. 63754

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DELIVERY SERVICE COMPANY for authority)
 to establish certain increased rates)
 applicable to wholesale service between) Application No. 44112
 points within the East Bay Drayage Area) (Filed January 19, 1962)
 and points in Alameda, Contra Costa and) (Amended March 20, 1962)
 Solano Counties, and to wholesale and)
 retail service between points within)
 the East Bay Drayage Area and El)
 Cerrito.)

In the Matter of the Investigation into)
 the rates, rules, regulations, charges,)
 allowances and practices of all common)
 carriers, highway carriers and city) Case No. 5441
 carriers relating to the transportation) (Petition for Modification
 of property in the City and County of) No. 56)
 San Francisco and the Counties of) (Filed January 19, 1962)
 Alameda, Contra Costa, Santa Clara, San) (Amended March 20, 1962)
 Mateo, Marin, Monterey, Napa, Santa)
 Cruz, San Benito, Solano, Sonoma, Lake)
 and Mendocino.)

Phillip A. Winter, for Delivery Service
 Company, applicant and petitioner.
Henry E. Frank and Grant L. Malquist,
 for the Commission staff.

O P I N I O N

Public hearing was held at San Francisco before Examiner J. E. Thompson on April 3, 1962. The matters were submitted April 5, 1962, upon the filing by applicant of Exhibit No. 2.

Applicant proposes increases in rates and changes in several rules governing the rates. In general, it is proposed to increase the rates for retail parcel delivery and the rates applicable to Zone 1 for wholesale parcel delivery by approximately fifteen percent. Proposed increases for wholesale parcel delivery in Zone 2 average about two percent. Zone 1 corresponds generally

to the territory governed by City Carriers' Tariff No. 2-A - Highway Carriers' Tariff No. 1-A. The petition requests the Commission to increase the parcel rates in Item No. 990 of the minimum rate tariff to conform with those proposed in the application. In prior proceedings the Commission found that the minimum rates in said Item No. 990 should be predicated upon the operations of Delivery Service Company. Delivery Service Company continues to perform substantially all of the service for which rates are provided in Item No. 990.

Applicant's present rates became effective in January 1961 pursuant to authority granted in Decision No. 61324, dated January 4, 1961, in Application No. 42815. On November 1, 1961, pursuant to a collective bargaining agreement with its drivers, applicant was required to pay its drivers an increase in wages of seven dollars per week. Certain additional benefits pertaining to vacations and sick leave were also granted the drivers which resulted in additional expense to applicant.

For the calendar year 1961, applicant had an operating ratio of 102 percent. During the period January 28, 1961, to November 4, 1961, applicant operated at the rates authorized by said Decision No. 61324 under expenses prior to the recent wage increase. An itemized statement of revenue and expenses for that period discloses an operating profit of \$1,208 with an operating ratio before income taxes of 99.65 percent.¹ Based upon the actual results of that period, and the known increases in expense occurring since November 1, 1961, applicant estimated the results of operation

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It is noted that in Application No. 42815 applicant estimated it would have an operating ratio before income taxes of 94.86 percent under the rates for that period.

for the ten 4-week periods under the proposed rates. The following tabulation shows those estimates.

DELIVERY SERVICE COMPANY
ESTIMATED RESULTS OF OPERATION
UNDER PROPOSED RATES
FOR TEN 4-WEEK PERIODS
(1/28/61 to 11/4/61)

	<u>Actual</u>	<u>Increases</u>	<u>Estimated</u>
Revenue:			
Retail	\$ 48,691	\$ 7,292	\$ 55,983
Wholesale	255,609	48,009	303,618
Overnight	12,070	-	12,070
Contract	28,639	-	28,639
	<u>\$345,009</u>	<u>\$55,301</u>	<u>\$400,310</u>
Expenses:			
Maintenance	\$ 24,853	\$ -	\$ 24,853
Transportation	220,150	11,528	231,678
Terminal	10,179	156	10,335
Traffic	12,562	553	13,115
Insurance	11,348	2,103	13,451
Administrative	48,363	738	49,101
Depreciation	4,374	-	4,374
Operation Taxes	11,972	3,039	15,011
	<u>\$343,801</u>	<u>\$18,117</u>	<u>\$361,918</u>
Net Operating Revenue	\$ 1,208		\$ 38,392
Operating Ratio			
Before Income Taxes	99.65%		90.41%
After Income Taxes	99.77%		94.55%

The increase in transportation expense covers only the wages to drivers and an increase in the salary of the dispatcher. The estimates do not include any provision for increased expenses resulting from the additional vacation and sick leave benefits. The increase in terminal expense covers wages paid to a part-time freight handler. The additional traffic expense covers the salary paid to the executive vice president and general manager who receives a portion of his compensation on the basis of one percent of the gross revenue. The estimates reflect the increased rates being paid for insurance against bodily injury and property damage and for workmen's

compensation insurance. An increase in the salary of the office manager and the amount payable under the Transportation Rate Fund Act for the additional gross operating revenue are reflected in the estimate of additional administrative expense. The increases in operating taxes cover increases in payroll taxes and the State transportation tax on the additional gross revenue.

The estimate does not show an increase in equipment maintenance expense, yet the testimony shows that the wages paid to mechanics and servicemen were increased. The revenue estimates are based upon the traffic handled by applicant during the test period. No allowance was made for diminution or diversion of traffic resulting from the rate increase. Applicant applied the proposed charge for pickups to the pickups actually made during the period, yet the manager testified that it is probable that some shippers may change their traffic pattern so as to eliminate some of the pickups. The evidence indicates that the results estimated by applicant are optimistic. The actual results of operations by this applicant have always fallen short of what was estimated by it in rate proceedings over the past four years.²

Upon consideration of all of the facts and circumstances, we find that the proposed increases are justified. The minimum rates in Item No. 990 were originally placed in City Carriers' Tariff No. 2-A - Highway Carriers' Tariff No. 1-A to reflect the service provided by Delivery Service Company. We find that Delivery Service Company is the rate-making carrier in the parcel delivery field for services for which rates are provided in Item No. 990. The minimum rates in this item should be adjusted to conform to the rates published by applicant. Our attention has been directed by the staff

² Applications Nos. 40663 (1958), 41773 (1959), 42815 (1960).

to an inadvertence whereby in Decision No. 61324 the Commission did not set forth in Item No. 990 the C.O.D. charge maintained by applicant. Said charge will be established in the order herein. We find that the rates which are prescribed in the order herein are the just, reasonable and nondiscriminatory minimum rates for the transportation services described in Item No. 990 of the aforesaid minimum rate tariff.

Because of the operating losses currently incurred by applicant, it will be authorized to establish the increased rates on ten days' notice and the order will be made effective ten days after the date hereof.

O R D E R

Based on the evidence and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED that:

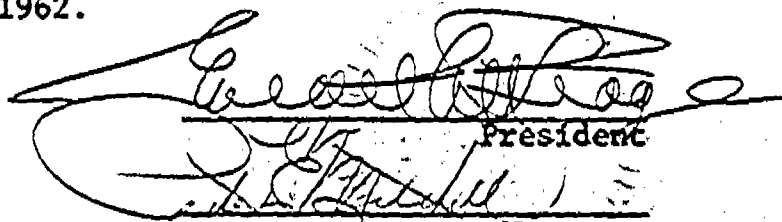
1. Delivery Service Company is authorized to establish the increased rates set forth in its application filed January 19, 1962, as amended March 20, 1962.
2. The authority conferred above will expire unless exercised within sixty days after the effective date of this order.
3. City Carriers' Tariff No. 2-A - Highway Carriers' Tariff No. 1-A (Appendix "A" of Decision No. 41362, as amended) is further amended by incorporating therein, to become effective July 14, 1962, Twelfth Revised Page 40, which page is attached hereto and by this reference made a part hereof.
4. Tariff publications required to be made by common carriers as a result of the order herein may be made effective


not earlier than the tenth day after the effective date of this order on not less than ten days' notice to the Commission and to the public and that such tariff publications shall be made effective not later than July 14, 1962; and that the tariff publications which are authorized but not required to be made by common carriers as a result of the order herein may be made effective not earlier than the tenth day after the effective date of this order, and may be made effective on not less than ten days' notice to the Commission and to the public if filed not later than sixty days after the effective date of the minimum rate tariffs incorporated in this order.

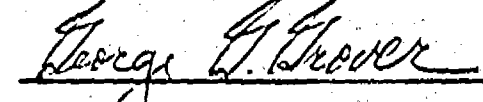
5. In all other respects the aforementioned Decision No. 43162, as amended, shall remain in full force and effect.


The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 28th
day of MAY, 1962.



President






Commissioners

Item No.	SECTION NO. 3 - COMMODITY RATES (Continued) In cents per 100 pounds, except as noted	RATE
COMMODITY		RATE
990	<p>PARCEL CITY DELIVERY (Wholesale Only)(See Note 1-)</p> <p>Within and between all zones, and applies on packages containing property, weighing not to exceed (1) 40 pounds per package, and only on deliveries from jobbers, wholesalers, industries and retail stores to other jobbers, wholesalers, industries and retail stores.</p> <p>1 to and including 100 packages per week -----</p> <p>Over 100 " " " 400 " " " -----</p> <p>" 400 " " " 800 " " " -----</p> <p>" 800 packages per week -----</p> <p>(1) On all packages exceeding 40 pounds in weight, an additional charge of 3 cents per pound shall be made for each pound or fraction thereof in excess of 40 pounds.</p> <p>*NOTE 1.-The above rates are subject to a service charge of 50 cents for each pickup stop made at consignor's place of business.</p> <p>**</p> <p>#NOTE 2.-The charge for collection and return of money on C.O.D. shipments will be 30 cents per shipment. (Exception to paragraph (d), Item No. 130.)</p>	<p>In Cents Per Package</p> <p>062</p> <p>048</p> <p>047</p> <p>046</p> <p>(See Note 2)</p>
	995	<p>PARCEL CITY DELIVERIES</p> <p>Within and between all zones, and applies on deliveries from manufacturers, manufacturers' agents, wholesalers, jobbers and commercial distributors. (See Notes 1 and 2.)</p> <p>Weight per package, 70 pounds or less -----</p> <p>NOTE 1.-The consignor must elect in writing in advance to utilize the rate in this item for all packages weighing 70 pounds or less tendered to the carrier during any calendar week.</p> <p>NOTE 2.-All charges must be prepaid.</p> <p>NOTE 3.-An additional charge of 30 cents shall be assessed for each C.O.D. collected.</p>
<p>* Change ** Former Note 2 eliminated # Addition ◇ Increase △ Reduction</p>		<p>Decision No. 63754</p>
<p>EFFECTIVE JULY 14, 1962</p>		
<p>Issued by the Public Utilities Commission of the State of California, San Francisco, California.</p> <p>Correction No. 250</p>		